

**Rothmans of Pall Mall Canada Limited**

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
JULY 17, 1985

The Annual and Special Meeting of the shareholders of Rothmans of Pall Mall Canada Limited (the "Corporation") will be held in the Regency Room West, Four Seasons Hotel, 21 Avenue Road, Toronto, Ontario, on Wednesday, July 17, 1985, at the hour of 11:00 o'clock in the forenoon (Eastern Daylight Saving Time) for the purposes of:

- (a) receiving the report of the directors containing the consolidated statements of earnings, retained earnings and changes in financial position for the year ended March 31, 1985 and the consolidated balance sheet as at that date, and the report of the auditors thereon;
- (b) electing directors;
- (c) appointing auditors;
- (d) considering and, if deemed advisable, passing, with or without amendment, a Special Resolution amending the Articles of the Corporation to change the name of the Corporation from Rothmans of Pall Mall Canada Limited to Rothmans Inc. The text of this Special Resolution is set forth in Schedule "A" to the accompanying Management Proxy Circular; and
- (e) transacting such further and other business as may properly be brought before the meeting or any adjournment thereof.

The board of directors of the Corporation have fixed June 21, 1985 ("Record Date") as the record date for determining shareholders entitled to receive notice of the Annual and Special Meeting of shareholders and, accordingly, only shareholders of record on the Record Date will be entitled to receive notice of the meeting. Each holder of voting shares is entitled to one vote at the meeting for each voting share registered in his or her name as at the close of business on the Record Date, except that a transferee of voting shares after the Record Date shall be entitled to vote at the meeting if he or she produces properly endorsed certificates for such shares or otherwise establishes that he or she owns such shares, and has demanded not later than ten days before the meeting that his or her name be included in the list of shareholders entitled to vote at the meeting, such list having been prepared as of the Record Date.

By Order of the Board,

J.K. STRICKLAND
Vice President, General Counsel and Secretary

DATED at Toronto the 17th day of June, 1985.

Shareholders who are unable to attend the meeting in person are urged to complete, date and sign the enclosed proxy and return it promptly to the Corporation in the envelope supplied for that purpose.

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES

The accompanying proxy is being solicited by the management of Rothmans of Pall Mall Canada Limited (the "Corporation") for use at the annual and special meeting of shareholders of the Corporation to be held on Wednesday, July 17, 1985 and any adjournment thereof (the "meeting").

The management of the Corporation does not contemplate solicitation of proxies otherwise than by mail; however, the solicitation of proxies may also be made or effected by telephone, telegraph and personal interview, the cost of which will be borne by the Corporation. No director of the Corporation has informed management that he or she intends to oppose any action to be taken at the meeting.

APPOINTMENT AND REVOCATION OF PROXIES

The persons designated on the enclosed form of proxy are directors of the Corporation.

A shareholder has the right to appoint a proxy to represent him at the meeting other than the persons whose names appear as proxies in the accompanying form of proxy, by striking out the said printed names and inserting the name of his chosen proxy in the blank space provided for the purpose in the form of proxy or by completing another proper form of proxy.

A shareholder who executes and returns the accompanying form of proxy may revoke it by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, by a duly authorized officer or officers under its corporate seal or by an officer or attorney duly authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof or, prior to the meeting, with the chairman of the meeting on the day of the meeting or adjournment thereof, or in any other manner permitted by law.

VOTING OF PROXIES

Shares represented by a properly executed and returned proxy shall be voted in accordance with the instructions thereon and may be voted in the discretion of the proxy with respect to amendments or variations to the matters set out in the notice of meeting or other matters that may properly come before the meeting. If no choice is specified, the proxy shall vote for the election of directors and for the appointment of auditors, and for the adoption of a special resolution amending the Articles of the Corporation to change the name of the Corporation from Rothmans of Pall Mall Canada Limited to Rothmans Inc.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of May 31, 1985, the Corporation had outstanding 5,510,684 Common Shares, each carrying one vote. Rothmans of Canada Limited, Suite 3400, Exchange Tower, 2 First Canadian Place, Toronto, Ontario, is the owner of record of 3,923,803 Common Shares of the Corporation, representing 71.2% of the outstanding voting shares of the Corporation. Rothmans International p.l.c., 15 Hill Street, London, England, a publicly quoted United Kingdom company, exercises control or direction over the shares of the Corporation that are owned by Rothmans of Canada Limited.

By the Corporation's share register as at May 31, 1985, CDS & Co. of P.O. Box 32, 2 First Canadian Place, Toronto, Ontario is the registered owner of 740,175 common shares (13.4%). The Corporation, has, however, received advice to the effect that CDS & Co. is utilized as a clearing house for investment dealers, trust companies and banks, and that it has no beneficial ownership in such shares.

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DIRECTORS' AND OFFICERS' INSURANCE

The Corporation provides directors' and officers' liability insurance with a policy limit of \$40,000,000 per policy year subject to a deductible of \$30,000 per loss.

Under this insurance coverage, the Corporation is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers, and individual directors and officers are reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Corporation. Protection is provided to directors and officers for acts, errors or omissions done or committed during the course of their duties as such. Excluded from coverage under the policy are illegal acts and those acts which result in personal profit.

The estimated premium for such directors' and officers' liability insurance in the last completed fiscal year is \$12,940, all of which has been paid by the Corporation. As at the date hereof, all those persons listed under the heading "Election of Directors" are included as insured under the policy, as are also the following officers of the Corporation:

JOHN H. DEVLIN,
Chairman of the Board

ROBERT H. HAWKES, Q.C.,
President and Chief Executive Officer

ROBERT W. ALLAN, C.A.,
Vice President Leaf and Research

WARREN A. BRACKMANN,
Vice President Research and Technical Development

JOHN E. BROEN,
Vice President Marketing Planning

DAVID S. BROOME,
Vice President Marketing

EDWARD A. CRIGHTON, C.A.,
Comptroller

CAMILLE A. DENIS,
Vice President Corporate Affairs

RONALD F. FINDLAY, C.A.,
Vice President Finance and Corporate Services

JOSEPH J. HEFFERNAN,
Vice President Manufacturing

JOHN J. MORRISSEY,
Vice President Personnel and Industrial Relations

HUGH R. SAMPSON, C.A.,
Vice President and Treasurer

JAMES K. STRICKLAND,
Vice President, General Counsel and Secretary

GORDON R. WHITE,
Vice President Sales

BRENDA J. MOHER
Assistant Secretary

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the knowledge of the Corporation, no director or officer of the Corporation or any proposed management nominee for election as a director of the Corporation or any associate or affiliate of any of the foregoing persons has any material interest in any transaction undertaken since the beginning of the Corporation's last completed fiscal year that has or might or would have materially affected the Corporation or any of its affiliates.

AUDITORS OF THE COMPANY

Price Waterhouse have been the auditors of the Corporation since its incorporation in 1956.

The persons named in the accompanying form of proxy intend to vote such proxy in favour of the reappointment of Price Waterhouse to the office of auditors of the Corporation for the term expiring with the annual meeting in 1986.

The contents and the sending of this circular have been approved by the board of directors.

Toronto, Ontario
May 31, 1985

J.K. STRICKLAND
Vice President, General Counsel and Secretary

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to vote for the election of the ten nominees to the board of directors whose names are set forth below.

Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason at or prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting or until his successor is elected or appointed.

The following table and notes thereto state the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the Corporation now held by them, their principal occupations or employments, the year in which they became directors of the Corporation and the approximate number of Common Shares of the Corporation beneficially owned directly or indirectly by each of them, as of May 31, 1985.

	Year first became a Director	Common shares beneficially owned
RENÉ AMYOT, Q.C., LL.L., M.B.A., of Quebec, Quebec, Counsel to Jolin, Fournier & Associates, Barristers & Solicitors	1980	200
DOUGLAS G. BASSETT, of Toronto, Ontario, President and Chief Executive Officer of Baton Broadcasting Incorporated, television, radio broadcasting, film and video tape production, printing and packaging	1983	—
VERNON A. BRINK, of London, England, Chief Executive Officer of Rothmans International p.l.c., holding company, since 1981; formerly Chief Executive Officer of Rothmans of Pall Mall (Australia) Limited	1984	—
MONA L. CAMPBELL, LL.D., of Toronto, Ontario, President of Dover Industries Limited, manufacturers of paper, plastic and food products, and flour milling and grain elevator operators	1981	500
SIR ROBERT CRICHTON-BROWN, K.C.M.G., C.B.E., T.D., of London, England, Chairman of Rothmans International p.l.c., holding company, since January 1985; formerly Director of a number of companies	1985	—
JOHN H. DEVLIN, of Toronto, Ontario, Chairman of the Board of the Corporation.	1959	1,025
ROBERT H. HAWKES, Q.C., of Toronto, Ontario, President and Chief Executive Officer of the Corporation	1972	150
THE HON. WILLIAM M. KELLY, B.A.Sc., M.E.I.C., of Toronto, Ontario, Senator, Senate of Canada, appointed 1982; President, Kelco Management Ltd., a management company.	1984	—
S. RODERICK McINNES, C.A., of Toronto, Ontario, Chairman, President and Chief Executive Officer, Carling O'Keefe Limited, holding company, and Carling O'Keefe Breweries of Canada Limited, brewing company	1984	—
JOHN J. WETTLAUER, M.B.A., LL.D., of London, Ontario, Professor Emeritus, School of Business Administration, University of Western Ontario	1981	200

NOTES:

- (1) The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
- (2) Each of the above named persons has held the principal occupation or employment indicated for at least five years, unless otherwise stated in this or a previous information circular.
- (3) None of the above named persons own or control shares of the holding body corporate, Rothmans of Canada Limited.
- (4) All directors' terms of office expire at the next annual meeting of the Corporation or when their successors are elected or appointed.

CHANGE OF NAME

By resolution approved on May 23, 1985, the Board of Directors of the Corporation authorized the submission to the shareholders of the Special Resolution set forth in Schedule "A" hereto amending the Corporation's articles to change the name of the Corporation from Rothmans of Pall Mall Canada Limited to Rothmans Inc. The Board of Directors believes that this name, which is bilingual, will identify the Corporation as a more diversified holding corporation owning, in addition to its tobacco business, other holdings and investments.

This Special Resolution must be passed by not less than two-thirds of the votes cast by the holders of common shares who have voted in respect of this Special Resolution.

COMMITTEES OF THE BOARD

The Audit Committee is composed of three directors. Present members are: René Amyot, Q.C., The Hon. William M. Kelly, B.A.Sc., M.E.I.C., and John J. Wettlaufer, M.B.A., LL.D.

The Pension Investment Committee is composed of three directors, one of whom is an officer of the Corporation, and four other officers of the Corporation. Present members are: René Amyot, Q.C., Mona L. Campbell, Edward A. Crighton, C.A., Ronald F. Findlay, C.A., Robert H. Hawkes, Q.C., John J. Morrissey and Hugh R. Sampson, C.A.

The Human Resources and Compensation Committee is composed of three directors, one of whom is an officer of the Corporation. Present members are: René Amyot, Q.C., Douglas G. Bassett, and John H. Devlin.

DIRECTORS' AND OFFICERS' REMUNERATION

The information set out below is given for the year ended March 31, 1985, with respect to the aggregate remuneration paid or payable by the Corporation and its subsidiaries to the Corporation's directors and officers.

	Directors' fees	Salaries	Bonuses	Non-accountable expense allowance	Others	Total
REMUNERATION OF DIRECTORS (Note 1)						
(a) Number of directors: 10						
(b) Body Corporate incurring the expense: Rothmans of Pall Mall Canada Limited	\$88,417	—	—	—	—	\$ 88,417
REMUNERATION OF OFFICERS (Note 2)						
(a) Number of officers: 14						
(b) Body Corporate incurring the expense: Rothmans of Pall Mall Canada Limited	—	\$1,749,622	—	—	—	\$1,749,622
TOTALS	\$88,417	\$1,749,622	—	—	—	\$1,838,039

Note 1: Remuneration paid to directors of the Corporation as directors thereof and as directors of any of its subsidiaries

Note 2: Remuneration paid to those officers of the Corporation who received as officers or employees of the Corporation and any of its subsidiaries remuneration in excess of \$40,000

RETIREMENT AND OTHER BENEFITS FOR DIRECTORS AND OFFICERS

The estimated aggregate cost to the Corporation to provide pensions to its directors and officers, who are employees of the Corporation, for the Corporation's last completed fiscal year, is \$141,750.

At the discretion of the board, retirement and disability supplements may be awarded to key executives who agree to hold their expertise exclusively for the benefit of the Corporation following retirement. A participating executive's annual pension income would be supplemented to the extent necessary to bring that income up to 50% to 70% (depending on his length of service) of the average of his highest three consecutive years' pre-retirement earnings from the Corporation, and his long-term disability income would be supplemented to the extent necessary to bring that income up to 70% of his earnings in the year preceding disability. Nothing has been accrued in respect of future supplements to date.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Mr. J.J. Morrissey, of the Municipality of Metropolitan Toronto, Vice President Personnel and Industrial Relations, is indebted to the Corporation on an interest-free loan granted to Mr. Morrissey to purchase a dwelling. The largest aggregate amount outstanding at any time since the beginning of the Corporation's last completed fiscal year was \$36,248, of which there is presently outstanding the principal sum of \$30,410.

SCHEDULE "A"
SPECIAL RESOLUTION
CHANGE OF NAME

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the articles of the Corporation are hereby amended to change the name of the Corporation from Rothmans of Pall Mall Canada Limited to Rothmans Inc.;
2. any one or more of the Chairman of the Board, the President, a Vice-President and the Secretary of the Corporation be and each is hereby authorized and directed to do all things and execute all instruments or documents necessary or desirable to give effect to this Special Resolution, including the execution and delivery of articles of amendment in accordance with the terms of this Special Resolution;
3. notwithstanding the foregoing provisions hereof, the directors of the Corporation may, in their absolute discretion and without further approval of the shareholders of the Corporation, revoke the foregoing Special Resolution at any time before it is acted upon.